

\*\*\* NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL \*\*\*

[CLICK HERE FOR THE CEO's REPORT DATED AUGUST 13, 2007 2007](#)

[CLICK HERE FOR THE CEO's REPORT DATED SEPTEMBER 21, 2007](#)

[CLICK HERE FOR THE CEO'S REPORT DATED NOVEMBER 5, 2007](#)

Á  
ŌŠÔŚĀ P ÕÜÒÄ U ÜÄ P ÖÄ Â ÒÙ Ć Ä J Ò Ú Ü V Ä Ö Ö V Ö Ö Å Š Ÿ Á Ğ Ê Ğ Ą  
Á



# County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

August 13, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## RETROACTIVE CONTRACTS

On May 22, 2007, the Board of Supervisors approved a motion (Attachment I), prompted by recent requests by departments for Board approval on retroactive payments. The Board instructed the Chief Executive Officer (CEO), Auditor-Controller (A-C) and Director of Internal Services (ISD) to take the following actions:

1. Conduct a risk assessment within 60 days that identifies departments vulnerable to retroactive payments, review those departments' purchasing structures, and then make recommendations to improve the process;
2. Work with departments to implement the recommendations, and report back to the Board on the progress in 120 days;
3. Instruct every department and commission to submit a list of outstanding contract or purchase order payments that will require retroactive Board approval;
4. Review all retroactive contract and purchase order payments before they are submitted for Board approval, identify the circumstances leading to the violation of established procedures, and recommend best practices and corrective actions; and
5. Before the close of each fiscal year and prior to the adoption of the final County budget, provide a report to the Board identifying all retroactive and pending retroactive payments approved by the Board for each department.

Although progress has been made in lessening the incidence of retroactive payment requests, policies and procedures for avoiding this practice continue to be bypassed by

some departments. This exposes the County to liabilities over which your Board has no input or control. The following is the status on the above actions:

1. **Assessing Retroactive Risk by Department**

My staff selected two fiscal years to pinpoint the departments most vulnerable to retroactive payments. A database search of the Board of Supervisors' Statement of Proceedings and Board Correspondence via the internet identified the number of retroactive issues that appeared on the Board's agenda by fiscal year:

DEPARTMENT	Health Services	Public Health	Mental Health	Sheriff	Total
FY 2005-06	15	2	4	3	24
FY 2006-07	11	0	1	0	12

The Department of Health Services (DHS) was identified as the department most vulnerable to retroactive payments. Because of the size of the department, the number of contracts and the decentralized structure, DHS was selected as the department to begin a focused review of the authorization process related to their agreements for goods and services.

2. **Progress Report in 120 Days**

A progress report will be prepared and submitted to your Board in September 2007, documenting vulnerable departments' success in implementing the Review Committee actions (see No. 4 below for more information about the Review Committee). The Review Committee will continue to meet and identify ways to assist departments with the implementation of their recommendations and corrective actions necessary to avoid future retroactive requests for payment.

3. **Survey of Potential Retroactive Contracts and Purchase Order Payments**

On July 2, 2007, each department head was asked to provide, to the extent each was aware, a list of potential retroactive contracts or purchase orders that may occur within the next six months.

Forty departments were surveyed. Thirty-four departments responded that they did not anticipate any retroactive requests for payments. Six departments (DHS: 10, Coroner: 3, Mental Health: 2, Office of Public Safety: 1, Public Health: 1 and Sheriff: 1) anticipated that a total of 18 requests for retroactive payment could occur from July 2007 to December 2007 (Attachment II).

Each Supervisor  
August 13, 2007  
Page 3

4. **Review Retroactive Payment Requests Prior to Board Approval**

A committee has been established, chaired by staff from the CEO, with A-C and ISD's staff as members. This committee will review all retroactive cases before they go to your Board, and require each department to prepare a corrective action plan to be presented to your Board along with their retroactive request for approval. The first meeting is scheduled for August 15, 2007, and among the discussion items will be critical retroactive items that DHS has pending Board approval.

The Review Committee will also explore and develop a countywide strategy to avoid circumstances where departments, with large numbers of contracts with community service providers, were granted your approval and your delegated authority to enter into contract amendments with these providers; however, execution of these contract amendments was delayed while services were being provided.

**Fiscal Year End Report**

Prior to the close of each fiscal year and the adoption of the final County budget in September, the CEO will provide a list to your Board identifying all retroactive and pending retroactive payments that your Board approved during the fiscal year.

If you have any questions, you may call me, or Amy Bennett at (213) 974-1126.

WTF:DL:SK  
EC:AB:ljp

**Attachments**

c: Executive Office, Board of Supervisors  
Auditor-Controller  
County Counsel  
Director, ISD  
All Department Heads

retroactive contracts.bm



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

At its meeting held May 22, 2007, the Board took the following action:

25

The following item was called up for consideration:

The Director of Mental Health's recommendation to approve and instruct the Chairman to sign a sole-source agreement on a month-to-month basis with Mann & Associates, to provide the Department with essential professional and technical knowledge in marketing and media advertising in specialized, professional publications and newsletters for the recruitment of psychiatrists, effective upon Board approval through June 30, 2008, pending completion of a Request for Proposal process, at a total pro-rated cost of \$40,000 for Fiscal Year 2006-07 and \$150,000 for Fiscal Year 2007-08, fully funded by Sales Tax Realignment revenue; and authorize the Director to make retroactive payments in the amount of \$19,021 for professional services provided by Mann & Associates for personnel recruitment and related services.

Supervisor Molina made the following statement:

"On July 2, 2002, I authored a Board motion to eliminate retroactive payments for Board contracts. The Auditor-Controller informed me that the directives in that Board order were implemented, including a Board contract tracking system, and revised contract and purchase order language informing vendors they will not be paid for services rendered after contract expiration or termination.

"Although there has been progress in lessening the incidence of retroactive payments, today's agenda contains a request by the Department of Mental Health to approve a retroactive payment for services. I have been concerned about the number of recent requests for Board approval of retroactive payments despite clear policies and procedures for avoiding this practice. Whether mistakenly or intentionally, accountability procedures are being bypassed exposing this County to potentially large liabilities over which this Board has no input and no control other than to give its approval after-the-fact.

(Continued on Page 2)

"While we may never completely eliminate retroactive payments, we can do better through increased training, improved management and supervision, and use of discipline for employees who willfully or negligently disregard established County policy."

Therefore, Supervisor Molina made a motion that the Board take the following actions:

1. Instruct the Chief Administrative Officer, Auditor-Controller and Director of Internal Services to conduct a risk assessment within 60 days that will identify those Departments vulnerable to retroactive payments, review those Departments' purchasing structures, and make recommendations to improve their payment performance;
2. Instruct the Chief Administrative Officer to work with these Departments to implement appropriate recommendations and report back to the Board within 120 days on their progress;
3. Instruct every County Department and Commission to submit to the Chief Administrative Officer within 60 days, a list of any outstanding contract or purchase order payments that will require retroactive approval by this Board;
4. Direct the Chief Administrative Officer, in collaboration with the Auditor-Controller and Director of Internal Services to review all requests for retroactive contract and purchase order payments before they are submitted for Board approval, notify Department Heads and the Board of the circumstances leading to the violation of established procedures, and recommend corrective actions along with best practices; and
5. Instruct the Chief Administrative Officer, before the close of each fiscal year and prior to the adoption of the final County budget, to provide a report to the Board of all retroactive payments approved by the Board for each Department and all pending retroactive payments for each County Department.

(Continued on Page 3)

25 (Continued)

After discussion, the Chairman ordered a division of the question.

On motion of Supervisor Molina, seconded by Supervisor Knabe, Supervisor Molina's aforementioned motion was unanimously carried.

The Director of Mental Health's attached recommendations were duly carried by the following vote: Ayes: Supervisors Burke, Knabe, Antonovich and Yaroslavsky; Noes: Supervisor Molina.

07052207\_25

Attachment

Copies distributed:

Each Supervisor

All Department/District Heads

and appropriate Commissions

**ATTACHMENT II**

**CHIEF EXECUTIVE OFFICE  
RETROACTIVE CONTRACTS  
RECAP OF SURVEY**

DEPARTMENT		ANTICIPATED RETROACTIVE PAYMENTS JULY 2007 DECEMBER 2007
1	Affirmative Action Compliance	0
2	Agricultural Commissioner/Weights & Measures	0
3	Alternate Public Defender	0
4	Animal Care & Control	0
5	Assessor	0
6	Auditor Controller	0
7	Beaches and Harbors	0
8	Board of Supervisors - Executive Office	0
9	Chief Executive Office	0
10	Chief Information Office	0
11	Child Support Services	0
12	Children & Family Services	0
13	Children's Planning Council	0
14	Community & Senior Services	0
15	Consumer Affairs	0
16	Coroner	3
17	County Counsel	0
18	District Attorney	0
19	Fire	0
20	Health Services	10
21	Human Relations Commission	0
22	Human Resources	0
23	Internal Services Department	0
24	Mental Health	2
25	Military & Veterans Affairs	0
26	Museum of Art	0
27	Museum of Natural History	0
28	Office of Public Safety	1
29	Ombudsman	0
30	Parks & Recreation	0
31	Probation Department	0
32	Public Defender	0
33	Public Health	1
34	Public Library	0
35	Public Social Services	0
36	Public Works	0
37	Regional Planning	0
38	Registrar-Recorder	0
39	Sheriff	1
40	Treasurer & Tax Collector	0

**TOTAL RETROACTIVE REQUESTS ANTICIPATED**

**18**





County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

September 21, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**LIST OF RETROACTIVE AND PENDING RETROACTIVE CONTRACTS  
(ITEM NO. 26, AGENDA OF SEPTEMBER 25, 2007)**

On May 22, 2007, the Board of Supervisors approved a Motion (see Item 5, Attachment I), instructing the Chief Executive Officer to provide the Board a report, prior to the adoption of the final County budget, of all retroactive payments approved by the Board for each Department and all pending retroactive payments for each County Department.

**Retroactive Requests for Payment**

On August 13, 2007, a report was submitted to the Board that identified 12 retroactive issues (Department of Health Services 11, Department of Mental Health 1) that appeared on the Board's agenda in fiscal year 2006-07. Attachment II is a detailed listing of each Board letter and the circumstances leading to the retroactivity.

**Retroactive Pending Issues**

There are a total of 12 potential retroactive contracts for which departments anticipate a need to request Board approval.

As previously reported to your Board on August 13, 2007, a Contract Review Committee was established and met on August 15 and 29, 2007. At that time, there were eight pending retroactive contracts (belonging to the Department of Health

Services), and each was discussed at the first Review Committee meeting. Two agreements were approved to be submitted to the Board immediately:

- CBORD Group, Inc. (CBORD) (Maintenance and Repair of Security Alarm Systems) - MLK-Harbor, Harbor-UCLA Medical Center; and
- California Emergency Physician's Medical Group, Inc. - MLK-Harbor.

The Review Committee requested an enhanced corrective plan for CBORD, and final information on employee disciplinary action as well.

Additional information was requested for two agreements before the Review Committee recommends them to the Board:

- UCLA Pathology Outreach Services - Olive View Medical Center; and
- Health Management Associates - LAC+USC Medical Center, Health Services Administration.

The Review Committee asked the department to negotiate a reduced contract amount for Health Management Associates. Both the UCLA Pathology Outreach Services and Health Management Associates agreements were discussed again during the Committee meeting on September 19, 2007. Additional details will be provided in the 120-day progress report that will be completed shortly.

The remaining four agreements were not considered retroactive by the Review Committee, and Internal Services Department agreed to work with the department to resolve:

- Affiliated Computer Services (ACS) - LAC+USC Medical Center (School of Nursing);
- Affiliated Computer Services - ACS Healthcare Solutions - LAC+USC Medical Center;
- Sourceone Healthcare Technologies - MLK-Harbor (H.H. Humphrey CHC); and
- Press Ganey Associates, Inc. - Harbor-UCLA Medical Center.

Each Supervisor  
September 21, 2007  
Page 3

There were eight additional pending retroactive contracts anticipated by other departments that were not discussed during the first meeting of the Review Committee (Coroner 3, Mental Health 3, Public Health 1 and Sheriff 1). The three agreements for Mental Health were discussed during the Review Committee meeting on September 19, 2007. Additional details will be provided in the 120-day progress report.

Attachment III is a detailed listing of the 12 pending Board letters that may require Board approval for payment this fiscal year.

If you have any questions or would like additional information, please contact me at (213) 974-1101, or Amy Bennett at (213) 974-1126.

WTF:DL:SK  
EC:AB:ljp

#### Attachments

list of retroactive contracts.bm



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

At its meeting held May 22, 2007, the Board took the following action:

25

The following item was called up for consideration:

The Director of Mental Health's recommendation to approve and instruct the Chairman to sign a sole-source agreement on a month-to-month basis with Mann & Associates, to provide the Department with essential professional and technical knowledge in marketing and media advertising in specialized, professional publications and newsletters for the recruitment of psychiatrists, effective upon Board approval through June 30, 2008, pending completion of a Request for Proposal process, at a total pro-rated cost of \$40,000 for Fiscal Year 2006-07 and \$150,000 for Fiscal Year 2007-08, fully funded by Sales Tax Realignment revenue; and authorize the Director to make retroactive payments in the amount of \$19,021 for professional services provided by Mann & Associates for personnel recruitment and related services.

Supervisor Molina made the following statement:

"On July 2, 2002, I authored a Board motion to eliminate retroactive payments for Board contracts. The Auditor-Controller informed me that the directives in that Board order were implemented, including a Board contract tracking system, and revised contract and purchase order language informing vendors they will not be paid for services rendered after contract expiration or termination.

"Although there has been progress in lessening the incidence of retroactive payments, today's agenda contains a request by the Department of Mental Health to approve a retroactive payment for services. I have been concerned about the number of recent requests for Board approval of retroactive payments despite clear policies and procedures for avoiding this practice. Whether mistakenly or intentionally, accountability procedures are being bypassed exposing this County to potentially large liabilities over which this Board has no input and no control other than to give its approval after-the-fact.

(Continued on Page 2)

"While we may never completely eliminate retroactive payments, we can do better through increased training, improved management and supervision, and use of discipline for employees who willfully or negligently disregard established County policy."

Therefore, Supervisor Molina made a motion that the Board take the following actions:

1. Instruct the Chief Administrative Officer, Auditor-Controller and Director of Internal Services to conduct a risk assessment within 60 days that will identify those Departments vulnerable to retroactive payments, review those Departments' purchasing structures, and make recommendations to improve their payment performance;
2. Instruct the Chief Administrative Officer to work with these Departments to implement appropriate recommendations and report back to the Board within 120 days on their progress;
3. Instruct every County Department and Commission to submit to the Chief Administrative Officer within 60 days, a list of any outstanding contract or purchase order payments that will require retroactive approval by this Board;
4. Direct the Chief Administrative Officer, in collaboration with the Auditor-Controller and Director of Internal Services to review all requests for retroactive contract and purchase order payments before they are submitted for Board approval, notify Department Heads and the Board of the circumstances leading to the violation of established procedures, and recommend corrective actions along with best practices; and
5. Instruct the Chief Administrative Officer, before the close of each fiscal year and prior to the adoption of the final County budget, to provide a report to the Board of all retroactive payments approved by the Board for each Department and all pending retroactive payments for each County Department.

(Continued on Page 3)

25 (Continued)

After discussion, the Chairman ordered a division of the question.

On motion of Supervisor Molina, seconded by Supervisor Knabe, Supervisor Molina's aforementioned motion was unanimously carried.

The Director of Mental Health's attached recommendations were duly carried by the following vote: Ayes: Supervisors Burke, Knabe, Antonovich and Yaroslavsky; Noes: Supervisor Molina.

07052207\_25

Attachment

Copies distributed:

Each Supervisor

All Department/District Heads

and appropriate Commissions

**ATTACHMENT II**  
**RETROACTIVE CONTRACTS**  
**FY 2006-07**

Department	BL Date	Board Agenda Date	Amount	How Financed	Retro Period	Vendor	Reason
HEALTH SERVICES - EMERGENCY MEDICAL SERVICES - 1	6/29/2006	7/11/2006	FY 2005-06 \$2,194,423	AB131 State funding for FY 2005-06. Retroactive payment rates for the new agreement not yet determined	Trauma Care provided in FY 2005-06. Also, payment rates retroactive to 7/1/2006 for the new agreement not yet negotiated.	Eleven non-County trauma centers, 2 County trauma centers	Current agreement expired 6/30/2006. Negotiations on the replacement Agreement were not completed as of 7/11/2006, however payments rates were retroactive to 7/1/2006.
HEALTH SERVICES - LAC+USC HEALTHCARE NETWORK - 2	8/29/2006	8/29/2006	1,070,000	Absorbed within existing resources	July 1, 2005 through June 30, 2006	Medical School Affiliation agreement	This was a one-time retroactive payment of \$1,070 million for Purchased clinical and Academic Services for Emergency Room Physicians and stipend
HEALTH SERVICES - VARIOUS - 3	10/3/2006	10/3/2006	0	This is a Delegation of Duties and assignment of Rights for the provision of temporary medical personnel services	March 27, 2006 through October 3, 2006	Soliant Health, Inc.	Cardinal Health, Inc. sold their pharmacy staffing business to Soliant Health, Inc. on March 27, 2006.
HEALTH SERVICES - MLK - 4	11/8/2006	11/8/2006	0	This is a Delegation of Duties and assignment of Rights for a maintenance and repairs services agreement	March 1, 2006 through 11/08/2006	Merry X-Ray	Sourceone sold all capital stock to Merry X-Ray on November 18, 2005. Merry X-Ray began providing contract services following the completion of the paperwork of the purchase on March 1, 2006.
HEALTH SERVICES - HEALTH CARE WORKFORCE DEVELOPMENT PROGRAM - 5	12/12/2006	12/12/2006	5,700,000	This is an acceptance of a Grant Award from the State of California for the Health Care Workforce Development Program	July 1, 2006 through December 12, 2006	Not Applicable	The DHS Health Care Workforce Development Program funding is utilized to maintain programs at the current level which is essential to fill critical nursing and allied health professions. The County match requirement is 2.484 million. The County is not obligated to continue this program after the grant expires.
HEALTH SERVICES - MLK - 6	12/19/2006	12/19/2006	0	Not Applicable	December 1, 2006 through December 19, 2007	Medical School Affiliation agreement	Renegotiation of the existing Medical School Agreement to purchase clinical services and specialties. The maximum obligation decreased by \$186,100.
HEALTH SERVICES - EMERGENCY MEDICAL SERVICES - LAC+USC HEALTHCARE NETWORK - 7	1/30/2007	1/30/2007	31,200,000	Absorbed within existing resources	Payment rates retroactive to July 1, 2006	13 Non-County Trauma Centers	Extended, complex contract negotiations with 13 non-county trauma centers in Los Angeles County for rate increases.
HEALTH SERVICES - EMERGENCY MEDICAL SERVICES - 8	4/17/2007	4/17/2007	15,000	This is an acceptance of a Grant Award from Blue Shield of California Foundation	December 1, 2006 through April 17, 2007	Not Applicable	This grant award was utilized to offset costs related to the '100K Lives Campaign' within the LAC+USC Healthcare Network.
HEALTH SERVICES - EMERGENCY MEDICAL SERVICES - 9	4/17/2007	4/17/2007	16,980	Disaster Medical Assistance Team (DMAT) Grant Funding	July 1, 2006 through April 17, 2007	Not Applicable	Since DMAT funding is approved by the State after the beginning of each County fiscal year, the agreement to receive appropriated funds is retroactively entered into by the County.
HEALTH SERVICES - COMMUNITY HEALTH PLAN - 10	5/1/2007	5/1/2007	Not available	Costs of providing care offset by State and Federal Funds	December 31, 2004 through May 1, 2007	Not Applicable	The Community Health Plan and Antelope Valley Hospital were unable to reach agreement on reimbursement rates and the contract expired. AVH continued to provide services for CHP members at the old rate. LA Care notified CHP unless it had an agreement with AVH it would lose 15,000 plan partners. A Letter of Understanding met the LA Care deadline of March 15, 2007 to establish an agreement. DHS did not have delegated authority to execute Letters of Understanding, and sought ratification of the letter to fully disclose the circumstances.
HEALTH SERVICES - EMERGENCY MEDICAL SERVICES - 11	5/1/2007	5/1/2007	567,865	Absorbed within existing resources	July 1, 2006 through 5/1/2007	State-designated non-County hospitals that provide indigent health care.	Tobacco Tax Formula Hospital Agreements DMH program staff was unfamiliar with County purchasing policies and procedures. A blanket purchase order was inappropriately used to obtain personnel recruitment and related services and exceeded their delegated purchasing authority.
MENTAL HEALTH SERVICES - 12	5/22/2007	4/26/2007	19,021	Net County Cost	August 1, 2006 through April 26, 2007	Mann & Associates	

**ATTACHMENT III**  
PENDING RETROACTIVE CONTRACTS

	Department	Amount	How Financed	Retro Period	Vendor	Reason
1	Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Servicon - Specialized Custodial Services	Coroner intends to solicit bids for custodial services by 9/24/07 and plans to go to the Board with a new contract prior to 12/31/07.
2	Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Accu-Med - Medical Transcription Services	Coroner is working with the Auditor-Controller on a cost study to determine if it would be cost-effective to bring these services in-house.
3	Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Various - Histopathology Services	Coroner intends to solicit bids for histopathology services by 9/12/07 and plans to go to the Board with a new contract prior to 12/31/07.
4	Mental Health	26,000	MHSA funding	July 1, 2007 through September 2007	Westside Center for Independent Living	Community Worker's salary not included in the original contract. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
5	Mental Health	6,000	Absorbed within existing resources	May 2007	Patina Catering	Mental Health Commission's catering expenditures for the awards ceremony. Outside sponsors are expected to pay \$2,478, which reduces the net amount owed by Mental Health to \$6,000. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
6	Mental Health	1,282	Absorbed within existing resources	February through May 2007	Golden West Services	Commissioners' lunches for the monthly meetings. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
7	Public Health	6,444	Absorbed within existing resources	Not available	TAC Worldwide (ITSSMA Work Order)	The contract program office did not review the work order. The dollar amount for the project was exceeded.
8	Sheriff	18,310	Absorbed within existing resources	Not available	HUFOR Alwall, Inc.	Results from the vendor anticipating the issuance of a purchase order, and convincing Department staff that the purchase order had already been issued. The Department negotiated a discounted labor charge based on the vendor's lack of authority to proceed with the work.
9	OVMC	70,446	Absorbed within existing resources	October 2006 - June 12, 2007	UCLA Pathology Outreach Services	UCLA previously provided specialized lab testing at no cost based on the informal relationship established with the physicians at OVMC. In May 2006, UCLA management instructed the UCLA lab to begin charging for these services. OVMC agreed to pay for the tests, however the procurement request was rejected by ISD because the services were mischaracterized as consultant services. There was a delay in elevating the issue and requesting that an agreement be established for the lab services. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
10	LAC+USC Medical Center	163,069	Absorbed within existing resources	May 9, 2006 through April 30, 2007	Health Management Associates (HMA)	HMA provided services outside the scope of the original agreement, at the request of Health Services, and the maximum obligation of the contract was exceeded. The services were necessary to implement the Department of Justice Settlement Agreement recommendations for the Juvenile Court Health Services. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
11	MLK-H	485,000	Absorbed within existing resources	June 21, 2007 through August 15, 2007	California Emergency Physicians Medical Group, Inc. (CEP)	To correct violations of the Centers for Medicare and Medicaid Services' (CMS) conditions of participation, the Department instructed CEP to immediately stop utilizing physician assistants and use physicians only to staff the Emergency Department. CEP incurred increased costs as a result of complying with the Department's instructions and modified their services without the benefit of a formal agreement amendment. (This agreement will be submitted to the Board for approval, as per the Review Committee recommendation on August 15, 2007.)



**ATTACHMENT III**  
**PENDING RET ROACTIVE CONTRACTS**

Department	Amount	How Financed	Retro Period	Vendor	Reason
					The Department had delegated authority to enter into an agreement with Diebold, Inc. However they objected to certain contract provisions and declined to sign the Agreement. CBORD acquired the card systems division of Diebold and they also took exception to certain contract provisions, and indicated that Diebold provided services under contract with the County. CBORD provided a copy of a Diebold contract signed by an unauthorized MLK-H employee County Counsel tried to negotiate a resolution to the contract issues, however they were unsuccessful. In August 2006, the Board approved the purchase of additional security equipment and installation services. (The ongoing services needed for the additional equipment will be submitted to the Board for approval, as per the Review Committee recommendation on August 15, 2007.)
12 MLK-H	118,570	Absorbed within existing resources. (The additional equipment purchased in August 2006 is 100% offset by Homeland Security funding.)	July 1, 2004 through August 31, 2007	CBORD (formerly Diebold). CBORD provides security systems to support security card systems.	



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

September 21, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### **LIST OF RETROACTIVE AND PENDING RETROACTIVE CONTRACTS (ITEM NO. 26, AGENDA OF SEPTEMBER 25, 2007)**

On May 22, 2007, the Board of Supervisors approved a Motion (see Item 5, Attachment I), instructing the Chief Executive Officer to provide the Board a report, prior to the adoption of the final County budget, of all retroactive payments approved by the Board for each Department and all pending retroactive payments for each County Department.

#### **Retroactive Requests for Payment**

On August 13, 2007, a report was submitted to the Board that identified 12 retroactive issues (Department of Health Services 11, Department of Mental Health 1) that appeared on the Board's agenda in fiscal year 2006-07. Attachment II is a detailed listing of each Board letter and the circumstances leading to the retroactivity.

#### **Retroactive Pending Issues**

There are a total of 12 potential retroactive contracts for which departments anticipate a need to request Board approval.

As previously reported to your Board on August 13, 2007, a Contract Review Committee was established and met on August 15 and 29, 2007. At that time, there were eight pending retroactive contracts (belonging to the Department of Health

Services), and each was discussed at the first Review Committee meeting. Two agreements were approved to be submitted to the Board immediately:

- CBORD Group, Inc. (CBORD) (Maintenance and Repair of Security Alarm Systems) - MLK-Harbor, Harbor-UCLA Medical Center; and
- California Emergency Physician's Medical Group, Inc. - MLK-Harbor.

The Review Committee requested an enhanced corrective plan for CBORD, and final information on employee disciplinary action as well.

Additional information was requested for two agreements before the Review Committee recommends them to the Board:

- UCLA Pathology Outreach Services - Olive View Medical Center; and
- Health Management Associates - LAC+USC Medical Center, Health Services Administration.

The Review Committee asked the department to negotiate a reduced contract amount for Health Management Associates. Both the UCLA Pathology Outreach Services and Health Management Associates agreements were discussed again during the Committee meeting on September 19, 2007. Additional details will be provided in the 120-day progress report that will be completed shortly.

The remaining four agreements were not considered retroactive by the Review Committee, and Internal Services Department agreed to work with the department to resolve:

- Affiliated Computer Services (ACS) - LAC+USC Medical Center (School of Nursing);
- Affiliated Computer Services - ACS Healthcare Solutions - LAC+USC Medical Center;
- Sourceone Healthcare Technologies - MLK-Harbor (H.H. Humphrey CHC); and
- Press Ganey Associates, Inc. - Harbor-UCLA Medical Center.

Each Supervisor  
September 21, 2007  
Page 3

There were eight additional pending retroactive contracts anticipated by other departments that were not discussed during the first meeting of the Review Committee (Coroner 3, Mental Health 3, Public Health 1 and Sheriff 1). The three agreements for Mental Health were discussed during the Review Committee meeting on September 19, 2007. Additional details will be provided in the 120-day progress report.

Attachment III is a detailed listing of the 12 pending Board letters that may require Board approval for payment this fiscal year.

If you have any questions or would like additional information, please contact me at (213) 974-1101, or Amy Bennett at (213) 974-1126.

WTF:DL:SK  
EC:AB:ljp

#### Attachments

list of retroactive contracts.bm



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

At its meeting held May 22, 2007, the Board took the following action:

25

The following item was called up for consideration:

The Director of Mental Health's recommendation to approve and instruct the Chairman to sign a sole-source agreement on a month-to-month basis with Mann & Associates, to provide the Department with essential professional and technical knowledge in marketing and media advertising in specialized, professional publications and newsletters for the recruitment of psychiatrists, effective upon Board approval through June 30, 2008, pending completion of a Request for Proposal process, at a total pro-rated cost of \$40,000 for Fiscal Year 2006-07 and \$150,000 for Fiscal Year 2007-08, fully funded by Sales Tax Realignment revenue; and authorize the Director to make retroactive payments in the amount of \$19,021 for professional services provided by Mann & Associates for personnel recruitment and related services.

Supervisor Molina made the following statement:

"On July 2, 2002, I authored a Board motion to eliminate retroactive payments for Board contracts. The Auditor-Controller informed me that the directives in that Board order were implemented, including a Board contract tracking system, and revised contract and purchase order language informing vendors they will not be paid for services rendered after contract expiration or termination.

"Although there has been progress in lessening the incidence of retroactive payments, today's agenda contains a request by the Department of Mental Health to approve a retroactive payment for services. I have been concerned about the number of recent requests for Board approval of retroactive payments despite clear policies and procedures for avoiding this practice. Whether mistakenly or intentionally, accountability procedures are being bypassed exposing this County to potentially large liabilities over which this Board has no input and no control other than to give its approval after-the-fact.

(Continued on Page 2)

"While we may never completely eliminate retroactive payments, we can do better through increased training, improved management and supervision, and use of discipline for employees who willfully or negligently disregard established County policy."

Therefore, Supervisor Molina made a motion that the Board take the following actions:

1. Instruct the Chief Administrative Officer, Auditor-Controller and Director of Internal Services to conduct a risk assessment within 60 days that will identify those Departments vulnerable to retroactive payments, review those Departments' purchasing structures, and make recommendations to improve their payment performance;
2. Instruct the Chief Administrative Officer to work with these Departments to implement appropriate recommendations and report back to the Board within 120 days on their progress;
3. Instruct every County Department and Commission to submit to the Chief Administrative Officer within 60 days, a list of any outstanding contract or purchase order payments that will require retroactive approval by this Board;
4. Direct the Chief Administrative Officer, in collaboration with the Auditor-Controller and Director of Internal Services to review all requests for retroactive contract and purchase order payments before they are submitted for Board approval, notify Department Heads and the Board of the circumstances leading to the violation of established procedures, and recommend corrective actions along with best practices; and
5. Instruct the Chief Administrative Officer, before the close of each fiscal year and prior to the adoption of the final County budget, to provide a report to the Board of all retroactive payments approved by the Board for each Department and all pending retroactive payments for each County Department.

(Continued on Page 3)

25 (Continued)

After discussion, the Chairman ordered a division of the question.

On motion of Supervisor Molina, seconded by Supervisor Knabe, Supervisor Molina's aforementioned motion was unanimously carried.

The Director of Mental Health's attached recommendations were duly carried by the following vote: Ayes: Supervisors Burke, Knabe, Antonovich and Yaroslavsky; Noes: Supervisor Molina.

07052207\_25

Attachment

Copies distributed:  
Each Supervisor  
All Department/District Heads  
and appropriate Commissions

**ATTACHMENT II**  
RETROACTIVE CONTRACTS  
FY 2006-07

Department	BL Date	Board Agenda Date	Amount	How Financed	Retro Period	Vendor	Reason
HEALTH SERVICES - EMERGENCY 1 MEDICAL SERVICES - LAC+USC HEALTHCARE NETWORK	6/29/2006	7/11/2006	FY 2006-06 \$2,194,423	AB131 State funding for FY 2006-06. Retroactive payment rates for the new agreement not yet determined.	Trauma Care provided in FY 2005-06. Also, payment rates retroactive to 7/1/2006 for the new agreement not yet negotiated.	Eleven non-county trauma centers, 2 County trauma centers	Current agreement expired 6/30/2006. Negotiations on the replacement Agreement were not completed as of 7/11/2006, however payments rates were retroactive to 7/1/2006.
HEALTH SERVICES - LAC+USC HEALTHCARE NETWORK	8/29/2006	8/29/2006	1,070,000	Absorbed within existing resources	July 1, 2005 through June 30, 2006	Medical School Affiliation agreement	This was a one-time retroactive payment of \$1,070 million for Purchased clinical and Academic Services for Emergency Room Physicians and stipend.
HEALTH SERVICES - VARIOUS	10/3/2006	10/3/2006	0	This is a Delegation of Duties and assignment of Rights for the provision of temporary medical personnel services	March 27, 2008 through October 3, 2008	Sollant Health, Inc.	Cardinal Health, Inc. sold their pharmacy staffing business to Sollant Health, Inc. on March 27, 2006.
HEALTH SERVICES - MLK	11/8/2006	11/8/2006	0	This is a Delegation of Duties and assignment of Rights for a maintenance and repairs services agreement	March 1, 2006 through 11/08/2006	Merry X-Ray	Sourceone sold all capital stock to Merry X-Ray on November 18, 2005. Merry X-Ray began providing contract services following the completion of the paperwork of the purchase on March 1, 2006.
HEALTH SERVICES - HEALTH CARE WORKFORCE DEVELOPMENT PROGRAM	12/12/2006	12/12/2006	5,700,000	This is an acceptance of a Grant Award from the State of California for the Health Care Workforce Development Program	July 1, 2008 through December 12, 2006	Not Applicable	The DHS Health Care Workforce Development Program funding is utilized to maintain programs at the current level which is essential to critical nursing and allied health professions. The County match requirement is 2.484 million. The County is not obligated to continue this program after the grant expires.
HEALTH SERVICES - MLK	12/19/2006	12/19/2006	0	Not Applicable	December 1, 2006 through December 19, 2007	Medical School Affiliation agreement	Renegotiation of the existing Medical School Agreement to purchase clinical services and specialties. The maximum obligation decreased by \$188,100.
HEALTH SERVICES - EMERGENCY 7 MEDICAL SERVICES - LAC+USC HEALTHCARE NETWORK	1/30/2007	1/30/2007	31,200,000	Absorbed within existing resources	Payment rates retroactive to July 1, 2006	13 Non-County Trauma Centers	Extended, complex contract negotiations with 13 non-county trauma centers in Los Angeles County for rate increases.
HEALTH SERVICES - LAC+USC HEALTHCARE NETWORK	4/17/2007	4/17/2007	15,000	This is an acceptance of a Grant Award from Blue Shield of California Foundation	December 1, 2008 through April 17, 2007	Not Applicable	This grant award was utilized to offset costs related to the '100K Lives Campaign' within the LAC+USC Healthcare Network.
HEALTH SERVICES - EMERGENCY 9 MEDICAL SERVICES	4/17/2007	4/17/2007	16,980	Disaster Medical Assistance Team (DMAT) Grant Funding	July 1, 2006 through April 17, 2007	Not Applicable	Since DMAT funding is approved by the State after the beginning of each County fiscal year, the agreement to receive appropriated funds is retroactively entered into by the County.
HEALTH SERVICES - COMMUNITY HEALTH PLAN	5/1/2007	5/1/2007	Not available	Costs of providing care offset by State and Federal Funds	December 31, 2004 through May 1, 2007	Not Applicable	The Community Health Plan and Antelope Valley Hospital were unable to reach agreement on reimbursement rates and the contract expired. AVH continued to provide services for CHP members at the old rate. LA Care notified CHP unless it had an agreement with AVH it would lose 15,000 plan members. A Letter of Understanding met the LA Care deadline of March 15, 2007 to establish an agreement. DHS did not have delegated authority to execute Letters of Understanding, and sought ratification of the letter to fully disclose the circumstances.
HEALTH SERVICES - EMERGENCY 11 MEDICAL SERVICES	5/1/2007	5/1/2007	557,865	Absorbed within existing resources	July 1, 2006 through 5/1/2007	State-designated non-County hospitals that Sixty-nine provide indigent health care.	Tobacco Tax Formula Hospital Agreements
HEALTH SERVICES - MENTAL HEALTH	5/22/2007	4/26/2007	19,021	Net County Cost	August 1, 2006 through April 26, 2007	Mann & Associates	DMH program staff was unfamiliar with County purchasing policies and procedures. A blanket purchase order was inappropriately used to obtain personnel recruitment and related services and exceeded their delegated purchasing authority.



**ATTACHMENT III**  
**PENDING RETROACTIVE CONTRACTS**

Department	Amount	How Financed	Retro Period	Vendor	Reason
1 Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Servicon - Specialized Custodial Services	Coroner intends to solicit bids for custodial services by 9/24/07 and plans to go to the Board with a new contract prior to 12/31/07.
2 Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Accu-Med - Medical Transcription Services	Coroner is working with the Auditor-Controller on a cost study to determine if it would be cost-effective to bring these services in-house.
3 Coroner	Not available	Absorbed within existing resources	Contract expires 12/31/07	Various - Histopathology Services	Coroner intends to solicit bids for histopathology services by 9/12/07 and plans to go to the Board with a new contract prior to 12/31/07.
4 Mental Health	26,000	MHSA funding	July 1, 2007 through September 2007	Westside Center for Independent Living	Community Worker's salary not included in the original contract. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
5 Mental Health	6,000	Absorbed within existing resources	May 2007	Patina Catering	Mental Health Commission's catering expenditures for the awards ceremony. Outside sponsors are expected to pay \$2,478, which reduces the net amount owed by Mental Health to \$6,000. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
6 Mental Health	1,282	Absorbed within existing resources	February through May 2007	Golden West Services	Commissioners lunches for the monthly meetings. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
7 Public Health	6,444	Absorbed within existing resources	Not available	TAC Worldwide (ITSSMA Work Order)	The contract program office did not review the work order. The dollar amount for the project was exceeded.
8 Sheriff	18,310	Absorbed within existing resources	Not available	HUFOR Airwall, Inc.	Results from the vendor anticipating the issuance of a purchase order, and convincing Department staff that the purchase order had already been issued. The Department negotiated a discounted labor charge based on the vendor's lack of authority to proceed with the work.
9 OVMC	70,446	Absorbed within existing resources	October 2006 - June 12, 2007	UCLA Pathology Outreach Services	UCLA previously provided specialized lab testing at no cost based on the informal relationship established with the physicians at OVMC. In May 2006, UCLA management instructed the UCLA lab to begin charging for these services. OVMC agreed to pay for the tests, however the procurement request was rejected by ISD because the services were mischaracterized as consultant services. There was a delay in elevating the issue and requesting that an agreement be established for the lab services. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
10 LAG+USC Medical Center	163,069	Absorbed within existing resources	May 9, 2006 through April 30, 2007	Health Management Associates (HMA)	HMA provided services outside the scope of the original agreement, at the request of Health Services, and the maximum obligation of the contract was exceeded. The services were necessary to implement the Department of Justice Settlement Agreement recommendations for the Juvenile Court Health Services. This agreement will be discussed at the September 19, 2007 Review Committee meeting.
11 MLK-H	485,000	Absorbed within existing resources	June 21, 2007 through August 15, 2007	California Emergency Physicians Medical Group, Inc. (CEP)	To correct violations of the Centers for Medicare and Medicaid Services' (CMS) conditions of participation, the Department instructed CEP to immediately stop utilizing physician assistants and use physicians only to staff the Emergency Department. CEP incurred increased costs as a result of complying with the Department's instructions and modified their services without the benefit of a formal agreement amendment. (This agreement will be submitted to the Board for approval, as per the Review Committee recommendation on August 15, 2007.)

**ATTACHMENT III**  
**PENDING RETROACTIVE CONTRACTS**

Department	Amount	How Financed	Retro Period	Vendor	Reason
12 MLK-H	118,570	Absorbed within existing resources. (The additional equipment purchased in August 2006 is 100% offset by Homeland Security funding.)	July 1, 2004 through August 31, 2007	CBORD (formerly Diebold). CBORD provides security systems to support security card systems.	The Department had delegated authority to enter into an agreement with Diebold, Inc. However they objected to certain contract provisions and declined to sign the Agreement. CBORD acquired the card systems division of Diebold and they also took exception to certain contract provisions, and indicated that Diebold provided services under contract with the County. CBORD provided a copy of a Diebold contract signed by an unauthorized MLK-H employee. County Counsel tried to negotiate a resolution to the contract issues, however they were unsuccessful. In August 2006, the Board approved the purchase of additional security equipment and installation services. (The ongoing services needed for the additional equipment will be submitted to the Board for approval, as per the Review Committee recommendation on August 15, 2007.)



# County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

November 5, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEY YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## RETROACTIVE CONTRACTS

On May 22, 2007, your Board approved a motion by Supervisor Molina instructing this Office, the Auditor-Controller, and the Director of Internal Services to take various actions to reduce the occurrence of retroactive contracts and retroactive payments. Your Board's instructions included conducting risk assessments, identifying departments vulnerable to retroactive payments, reviewing those departments' purchasing structures, and developing recommendations to improve departmental processes in this area.

In an August 13, 2007 memorandum to your Board, we provided a risk assessment of those departments most vulnerable to retroactive contracts. We also reported on the establishment of a committee, chaired by this Office and including representatives from the Auditor-Controller and Internal Services Department, which is reviewing proposed retroactive contracts/payments prior to submission to your Board. The Retroactive Contracts Review Committee (RCRC) reviews the circumstances leading to the retroactive contract/payment, actions taken in response and corrective action plans to mitigate future recurrences. Finally, in a September 21, 2007 memorandum to your Board, we reported on all retroactive payments approved by your Board for each department, and pending retroactive payments for each department.

This memorandum addresses that portion of the Board Order regarding efforts to work with those departments most vulnerable to retroactive contracts/payments to prevent future recurrences.

### **Background**

Consistent with the prior correspondence we have submitted to your Board on this matter, we surveyed 40 departments, and 35 departments responded that they did not anticipate any retroactive requests for payments within the next six months. In our September 21, 2007 report to your Board, we identified 12 pending retroactive contracts. At the RCRC meeting of September 19, 2007, two agreements for the Department of Health Services (DHS) were heard and approved for submittal to your Board.

Of the 10 tentatively identified retroactive contracts, eight were removed as follows: the Coroner anticipates that the appropriate extensions or new contracts will be in place prior to the December expiration for three agreements; the Department of Mental Health was able to resolve three payment matters before they became retroactive; Public Health resolved and avoided the retroactive situation; and the Sheriff's Department also resolved their one payment issue before it became retroactive. The two pending retroactive contracts for the period of June 2007 to December 2007 are within DHS.

### **Corrective Action**

In response to your Board's directive, we are working with DHS via the RCRC. As referenced above, the RCRC was established to review all retroactive contracts/payments before they are presented to your Board. We have convened a meeting of the RCRC for November 8, 2007 to hear the two contracts referenced above.

In addition, as part of the ongoing effort to avoid retroactive contracts, we will be documenting corrective action plans, and advising departments to incorporate enhanced policies, procedures, and best practices, as applicable, to maintain compliance with contract and purchasing policies.

It is important to point out that improved policies and procedures will not in themselves prevent retroactive contracts, as there will always be the risk that an employee will violate them. That is why the corrective action plan which a department must submit to the RCRC accompanying a proposed retroactive contract must indicate the appropriate disciplinary action taken against such employees where applicable.

Among the best practices identified to date in working with the departments noted above, and which should be implemented by all departments as appropriate, are the following:

- *Educating managers and staff by providing training on procurement and contracting to increase knowledge and awareness that contracts, payments, and revenue (including rebates) require your Board's authorization;*
- *Implementing procedures to tighten internal contracting and fiscal controls to ensure the appropriate checks and balances are in place;*
- *Monitoring to ensure compliance with County and departmental policies and procedures and, thereby, prevent recurrences of contract retroactivity and acceptance of revenue payments without your Board's authorization;*
- *Requiring departmental managers to monitor, on a prospective basis, the anticipated expenditures to ensure that the contract funding limits are not exceeded and require management and staff to ensure that requested services are within the Purchase Order (PO) or the contract scope of work;*
- *Requiring management and staff to confirm the approval status of a PO and/or whether a contract is current, prior to initiation of services;*
- *Ensuring accountability and strengthening enforcement of staff's compliance with requirements related to obtaining service contracts by initiating appropriate disciplinary action against personnel who do not comply with such requirements;*
- *Ensuring that appropriate elevation policies are in place to ensure that critical contract and purchasing issues which require immediate resolution are brought to the attention of executive management for further action;*
- *Implementing multi-level tracking of services expenditure between Procurement, Accounting and Shared Services (Auditor-Controller) and Contracts Section;*
- *Establishing bi-weekly service contracts status meetings with Procurement, Accounting and Contracts Manager and end users;*

Each Supervisor  
November 5, 2007  
Page 4

- *Utilizing the Countywide Contracts Monitoring System (CCMS), maintained by the Auditor-Controller, and implementing a procedure to ensure departmental information is accurate, complete and up-to-date to better track contract information; and*
- *Identifying the extent of vendor/contractor responsibility in formulating recommended payment amounts for retroactive goods or services provided.*

As noted above, as part of our ongoing efforts to reduce retroactive contracts/payments, the RCRC will continue to work with affected departments to assess the reasons that led to non-compliance and develop recommendations to improve their processes.

We have also issued to all departments procedures that govern the review process, as well as a template and checklist for each item presented to the RCRC. The template and checklist guide departments in providing thorough information regarding the circumstances that led to the retroactive matter and the corrective action plan to better ensure future incidents are avoided. As part of this process, we will share best practices and proven methodologies with all departments to ensure countywide compliance with contract policy.

Should you have any questions, please let me know or your staff may contact Vincent Amerson at (213) 974-1168 or [vamerson@ceo.lacounty.gov](mailto:vamerson@ceo.lacounty.gov).

WTF:LN:MKZ  
MLM:VLA:pg

c: All Department Heads  
Retroactive Contract Review Committee  
Administrative Deputies Network (Via Electronic Mail)  
Contract Manager's Network (Via Electronic Mail)



## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

July 21, 2009

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich  
  
From: William T Fujioka  
Chief Executive Officer

### RETROACTIVE CONTRACTS ANNUAL SURVEY RESULTS

On May 22, 2007, your Board issued a series of instructions to limit the occurrences of retroactive payment requests, including a directive to this Office to provide an annual report to the Board identifying all retroactive and pending retroactive payments approved by the Board for each department.

In response to your instructions, we established the Retroactive Contract Review Committee (RCRC), a three-member committee composed of staff from Auditor-Controller, Internal Services Department, and this Office in August 2007 to review any retroactive contract before it could be placed on your Board's agenda for approval. As part of the RCRC review process, departments are required to prepare a report explaining the circumstances that led to the retroactive occurrence, as well as corrective action measures implemented to prevent recurrence and any disciplinary actions. For each retroactive matter, the RCRC provides a final recommendation that will be reflected in the subsequent Board letter.

As indicated in Attachment I, departments presented three retroactive occurrences involving eight contracts requiring retroactive payments totaling \$1,477,764 to the RCRC during FY 2008-09. The types of services contracted varied by department. In most of these scenarios, the reason for the retroactive situation was primarily attributable to inadequate monitoring, resulting in the contract expiring while services were still being provided by the vendor. One instance involved a company merger that was not communicated to the department.

### Pending Retroactive Contracts Survey Results

In addition to the above actions, this Office surveyed departments as to their pending retroactive contracts for FY 2009-10 and only the Department of Mental Health (DMH) indicated they have

*"To Enrich Lives Through Effective And Caring Service"*

**Please Conserve Paper – This Document and Copies are Two-Sided  
Intra-County Correspondence Sent Electronically Only**

a pending retroactive contract requiring your Board's approval for the current fiscal year. Please see Attachment II for information on that pending retroactive contract. DMH will appear before the RCRC to address this retroactive situation.

Based upon our analysis of the survey information, we determined that the vast majority of departments have appropriate procedures and policies in place to avoid retroactive contracts. The single pending retroactive incident disclosed by our survey appears to indicate that departments are by and large enhancing contract monitoring activities to avoid such situations.

### **Proactive Measures**

To further lessen the occurrence of retroactive contracts, the eCAPS system was modified to include two new "Alert Reports" that identify contracts within six and nine months of their expiration date, as well as a new "Error Report" to identify contracts with no end date.

Additionally, on June 30, 2009, your Board established four contract-specific classifications for positions that develop and administer contracts as a primary function, based on this Office's countywide Contracting Occupational Study. This new series, ranging from entry-level to section manager, reflects the increasing complexity of the County's contracting function and the integral role that contract administration plays in managing the vast and varied operations across the County.

As referenced in the June 30 Board letter, we are also studying over 200 positions assigned to perform contract development and administration as their primary work, and intend to return to your Board within a few months with our final recommendations to reclassify these positions, where appropriate, throughout the County. Ultimately, these actions will further strengthen and provide consistency of contracting operations and help eliminate retroactive contracts.

As part of our ongoing efforts to reduce retroactive contracts, the RCRC will continue to work with affected departments to assess the reasons that led to non-compliance and develop recommendations to improve their processes. While there will always be a human element subject to unintentional error involved in the contracting process, the measures mentioned above, as well as improved policies and procedures, should minimize the occurrence of retroactive contracts.

Per your Board's instruction, we will continue to report to your Board on an annual basis on retroactive contracts. Should you have questions regarding this memorandum, please let me know, or have your staff contact James Hazlett at (213) 974-1148 or [jhazlett@ceo.lacounty.gov](mailto:jhazlett@ceo.lacounty.gov).

WTF:ES:MKZ  
FC:JH:pg

### **Attachments**

c: All Department Heads  
Administrative Deputies  
Contract Managers' Network



## RETROACTIVE CONTRACTS REVIEW COMMITTEE CHART

FISCAL YEAR 2008-09

RCRC MEETING DATE(S)	DEPARTMENT	PROGRAM NAME (# OF CONTRACTS IMPACTED) and CONTRACTORS	CONTRACT AMOUNT	COMMENTS
March 5, 2009	Mental Health	<u>HIPPA Remediation Project (1)</u>  a) Sierra Systems Group Inc.	\$1,281,564	DMH was only notified after the vendor had merged with a new company; the Department requested the Board to retroactively approve the new company to provide the services. The Department also sought approval for retroactive payment for services that exceeded the contract amount; the Department incorrectly assumed the maximum amount was increased consistent with the automatic term extension.
July 30, 2008	Probation	<u>Youth Services (4)</u>  a) Asian American Drug Abuse Program b) Special Services for Groups c) Starview Children & Family Services d) Soledad Enrichment Action	\$122,391  a) \$23,945 b) \$37,370 c) \$8,376 d) \$52,700	Each of the four retroactive issues involved the contractors receiving youth service referrals from Probation, and providing services to those youth, beyond the dollar limits of the original contract terms, prior to Probation exercising its delegated authority to increase each contract's dollar limit.
July 31, 2008	Public Library	<u>Employment Services (3)</u>  a) AppleOne Employment Services b) Helpmate Staffing Services c) Ladera Career Paths, Inc.	\$73,809  a) \$32,499 b) \$41,310 c) Not Used	Public Library did not properly execute first renewal option year for each agreement. These three agreements were approved as a unit.
<b>Totals</b>			<b>\$1,477,764</b>	

07/1/09

# ATTACHMENT II

## PENDING RETROACTIVE CONTRACTS

FISCAL YEAR 2009-10

DEPARTMENT	SERVICES	CONTRACTOR	AMOUNT	COMMENTS
Mental Health	Fee For Service Inpatient Hospital Services.	Success Healthcare, LLC	\$56,000	Board letter is being drafted. Success Healthcare purchased Intercare Health Services and continued services without a new contract.

07/11/09